



LEGISLATIVE AUDIT BULLETIN

Publication for Members of Maryland General Assembly
Summer 2002 - Issue No. 16

Department of Human Resources (DHR) – Performance Audit of Out-of-Home Care Program (Primarily Foster Care)

Many case files were missing documentation to substantiate that critical services were being provided to children and their families

DHR must improve its delivery and monitoring of critical services for the 11,000 children in the State's out-of-home care program (primarily foster care). Our audit raises significant concerns about DHR's administration of the program. For many of the 163 randomly selected children we tested, the case file - which is the primary means of documenting services and the child's history - was missing important documentation to show that critical services were being provided to the children. Also, foster care and kinship care providers (relatives who are not licensed providers) were not always closely monitored to help ensure children were placed in safe environments.

Our tests of the 163 cases revealed problems for 5 of 9 attributes. For these five attributes, between 24 and 69 percent of the case files reviewed did not contain sufficient documentation to show that children were receiving adequate and timely assessments of their needs and were receiving the types of

services recommended. For example, the test results indicate that:

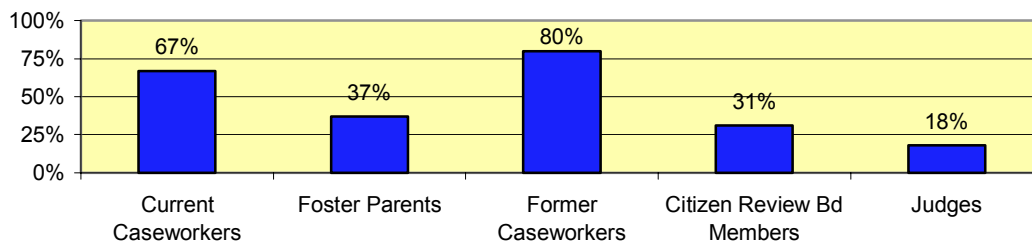
- For 48 percent of the cases, certain required contacts were not made by caseworkers with the child or the provider.
- For 33 percent of the cases, children had not received the required annual well-child evaluations.
- For 28 percent of the cases, children had not received the recommended therapy.

It was unclear whether these problems were attributable to caseworkers neglecting to record the services performed in the files or if the services had not been performed at all.

Certain of the 252 respondents to our survey also expressed concerns about the adequacy of the services (including medical, mental health and educational) that were provided to foster care children.

Our audit of the files for certain foster care and kinship care providers disclosed that enforcement of certain requirements was lax. For 46 percent of the provider files tested, evidence was missing to substantiate that required criminal background investigations were obtained for all providers and/or adult members of their households. In one instance in which the investigation did identify a household member charged with sexual offenses, action had not been taken to remove the child from the provider's care until we brought this matter to DHR's attention.

**Survey Respondants Who Thought the Services Provided Adequately
Addressed Children's Needs "About Half the Time" or "Almost Never"**



Department of Labor, Licensing and Regulation (DLLR) – Office of the Secretary

DLLR's accountability and compliance level was determined to be unsatisfactory

DLLR's accountability and compliance level was determined to be unsatisfactory, in accordance with our rating system. The system was established to advise the General Assembly of agencies needing closer oversight. DLLR had failed to satisfactorily resolve any of the findings in our two preceding audit reports, including all nine findings from our last report. Also, there were significant deficiencies in DLLR's budgetary and accounting practices.

DLLR incurred Federal fund deficits of approximately \$17.3 million at June 30, 2001 that may require a General Fund deficiency appropriation. This deficit could increase by \$9.8 million depending on the ultimate outcome of a Federal audit that claimed the Department had been reimbursed over a number of years for ineligible costs. DLLR believes that \$19.9 million received in July 2001 for Federal costs in other programs not claimed over a five-year period should be used to offset the deficit. These recoveries should revert to the General Fund, unless State oversight bodies authorize the offset.

The delay in identifying and collecting the \$19.9 million from the Federal government cost the State \$5.8 million in lost investment income.

DLLR allowed deposits to accumulate each month in a lockbox account maintained by a financial institution before transferring the funds to the State's main depository account. Daily transfers would have allowed the State to earn an additional \$100,000 in interest income over a two-year period. Furthermore, DLLR did not investigate the proper disposition of unidentified lockbox deposits of \$1.4 million.

Certain automated security features were not in effect to enhance controls over computer systems and a website used by DLLR to issue and renew occupational and professional licenses.

**Department of Health and Mental Hygiene (DHMH)
Community and Public Health Administration (CPHA)**

CPHA must improve its management of programs funded by the Cigarette Restitution Fund

CPHA must improve its management of programs funded by the Cigarette Restitution Fund (CRF). These programs were established to reduce tobacco use, tobacco-related diseases

and cancer deaths in the State. Deficiencies in CPHA's oversight procedures, if not corrected, could impair efforts to accurately assess program effectiveness.

For example, we noted shortcomings in the process used to gather certain baseline data, which CPHA intends to use to measure the overall success of programs designed to reduce tobacco use. CPHA also needs to establish a comprehensive plan to audit grantees and contractors that receive significant funding from CRF programs. Such funding could total \$750 million over a ten-year period.

Mental Hygiene Administration (MHA)

MHA had not recovered \$6 million from the Federal government for mental health services claims at least one-year old

MHA should ensure that all Federal reimbursements are immediately requested and recovered. At June 30, 2001, the MHA had not recovered \$6 million from the Federal government for mental health services claims at least one year old. Due to age and other factors, full recovery of these claims for mental health services may be at risk.

MHA had not concluded its efforts to account for all funds advanced over a four-year period (approximately \$1 billion) for mental health services rendered by providers. Also, funds advanced to certain providers primarily before July 1999 of \$8.7 million had still not been recovered. Lost interest attributable to these advances totals \$500,000 annually.

MHA underestimated its general fund budget deficit related to mental health services for fiscal year 2001 by \$16.5 million. MHA did not take adequate action when its contractor did not pay providers for mental health services claims in a timely manner. Nor had it recovered overpayments of \$280,000.

Department of Natural Resources (DNR)

Significant budgetary and accounting problems and other deficiencies led to an unsatisfactory rating

Our audit of DNR revealed a number of significant problems concerning its budgetary and accounting practices. These problems as well as other deficiencies contributed to DNR receiving an unsatisfactory accountability and compliance rating.

DNR should comply with State budgetary law and accounting policies for recording revenue and expenditure transactions, and when appropriate, request budget amendments. DNR violated State budgetary law because it paid for goods or services totaling \$1.1 million and \$1.2 million without available appropriations for fiscal years 2000 and 1999, respectively.

To avoid other budgetary deficits, DNR also improperly transferred expenditures totaling \$2.8 million between programs instead of requesting budget amendments. Also, a fiscal year 2000 deficiency appropriation of \$164,000 was used for purposes other than specified by budget law. In addition, we identified \$881,140 that should have been credited to the General Fund but was improperly retained.

DNR failed to submit requests for Federal grant fund reimbursements in a timely manner, which resulted in lost interest earnings of \$196,000. We also noted that DNR made 33 duplicate vendor payments totaling \$154,000.

DNR's automated system supporting vessel titling and registration and certain licensing functions had numerous control weaknesses that provided opportunities for undetected errors and fraudulent activity. System transactions could be overridden or voided, and replacement licenses could be issued without controls in place to ensure propriety.

Department of Transportation – Maryland Transit Administration (MTA)

MTA could not support that it had received spare parts valued at \$585,000 due from a rail car manufacturer as a result of a contract settlement agreement. Also, sufficient steps had not been taken to address production delays relating to an \$81.3 million contract for the overhaul of 100 subway rail cars. As of March 2002, delivery of certain rail cars was up to 20 weeks behind schedule.

MTA had not taken action to resolve a longstanding dispute with a railroad company regarding MTA overpayments of \$1.2 million.

MTA had not established adequate controls over insurance claim payments. During fiscal year 2001, MTA detected potentially fraudulent claims totaling approximately \$48,000. The case is under investigation by the Office of the Attorney General.

Department of the Environment (DOE)

State funds appropriated to match Federal funding for the State's Water Quality and Drinking Water Revolving Funds were prematurely transferred from the General Fund to the Revolving Funds. Because the transfers occurred before the State funds were needed, the Revolving Funds, rather than the General Fund, earned interest income of approximately \$2 million over a three year period. In addition, Federal funds deposited to the Revolving Funds were initially transmitted to a third party before being received by DOE.

Federal grant records were not adequately maintained and these records, as well as certain special fund records, were not properly

reconciled with the State Comptroller's records. A comprehensive centralized system for monitoring environmental permits, inspections and penalties had not been developed.

SUMMARY OF REPORTS ISSUED

December 1, 2001 TO June 30, 2002

Agency	Report Date	Number of Pages	
Office of People's Counsel	1/03/02	5	
Compliance with the Federal Energy Policy Act of 1992 and Use of Alternative Fuel (Performance Audit)	1/09/02	17	
Maryland Insurance Administration	1/10/02	22	
Deer's Head Center	1/10/02	5	
Medical and Chirurgical Faculty of Maryland – Physician Rehabilitation and Peer Review Activities Programs (Special)	1/11/02	8	
Department of Health and Mental Hygiene – Spring Grove Hospital Center (Follow-up Review)	1/15/02	9	
Department of Health and Mental Hygiene – Holly Center	1/15/02	6	
Department of Health and Mental Hygiene – Community and Public Health Administration	1/22/02	24	
Prince George's County – Office of the Register of Wills	1/28/02	4	
Statewide Review of Budget Closeout Transactions for Fiscal Year 2001 (Special)	1/30/02	20	
Review of Maryland Department of Planning's Mid-Year Report (Letter)	1/31/02	4	
Baltimore City Community College	1/31/02	16	
Department of Natural Resources	2/06/02	28	
Talbot County – Office of the Register of Wills	2/13/02	4	
Maryland Energy Administration	2/19/02	5	
Department of Health and Mental Hygiene – Mental Hygiene Administration	2/19/02	20	
Comptroller of the Treasury – Alcohol and Tobacco Tax Division	2/26/02	5	
Maryland Thoroughbred and Harness Horse Racing Tracks (Special)	3/04/02	9	
Review of Audit Reports of Local Boards of Education and Public Library Boards (Special)	3/07/02	9	
Department of Human Resources – Local Department Operations	3/08/02	10	
Talbot County – Office of the Clerk of Circuit Court	3/14/02	5	
Military Department	3/15/02	16	
Department of Labor, Licensing and Regulation – Division of Occupational and Professional Licensing	3/18/02	10	
Department of Health and Mental Hygiene – Thomas B. Finan Hospital Center and Joseph D. Brandenburg Center	3/18/02	5	
Baltimore City – Office of the Trust Clerk to the Circuit Court	3/21/02	4	
Morgan State University	3/26/02	18	
Board of Public Works	4/02/02	4	
Baltimore County – Office of the Register of Wills	4/03/02	6	
Governor's Workforce Investment Board	4/04/02	6	
Uninsured Employers' Fund	4/04/02	4	
Baltimore City – Office of the Clerk of Circuit Court	4/08/02	7	
Baltimore County – Office of the Clerk of Circuit Court	4/09/02	5	
University System of Maryland Office	4/16/02	20	
Washington County – Office of the Register of Wills	4/19/02	4	
Maryland Agricultural Land Preservation Fund	4/24/02	7	
Office of the Attorney General	4/24/02	9	
Department of Health and Mental Hygiene – Office of the Chief Medical Examiner	4/25/02	4	
Department of Planning	4/30/02	10	
Prince George's County – Office of the Clerk of Circuit Court	4/30/02	10	9
Department of Aging	4/30/02	10	
Subsequent Injury Fund	5/08/02	9	
Maryland Transit Administration	5/09/02	22	
University System of Maryland Service Center	5/14/02	9	
Department of Human Resources – Social Services Administration – Out-of-Home Care Program (Performance Audit)	5/14/02	67	
Criminal Injuries Compensation Board	5/22/02	9	
Harford County – Office of the Clerk of Circuit Court	5/23/02	4	
University System of Maryland – University College	5/23/02	18	
Washington County – Office of the Clerk of Circuit Court	5/23/02	4	
Department of Public Safety and Correctional Services – Western Maryland Region	5/30/02	5	
Harford County – Office of the Register of Wills	5/30/02	4	
Department of the Environment	6/07/02	24	
Department of Labor, Licensing and Regulation – Office of the Secretary	6/07/02	24	
Study of the Benefits of the Office of Legislative Audits Establishing a Fraud Hotline (Special)	6/18/02	11	
Department of Planning – Review of Quarterly Reports to Budget Committees (Special)	6/19/02	4	
University System of Maryland – Salisbury University	6/20/02	18	
Review of Local Government Audit Reports (Special)	6/21/02	14	
Managing for Results – Fiscal Year 2001 Performance Measures – Department of State Police (Performance Audit)	6/27/02	9	
Secretary of State	6/28/02	7	
Maryland Prepaid College Trust	6/28/02	8	

The Legislative Audit bulletin is periodically issued by the Office of Legislative Audits (OLA) to inform the General Assembly of audits or reviews completed and to provide a summary of significant findings from selected reports. Unless specifically noted, the agencies generally agreed with the audit findings and recommendations, although some follow-up of the report response may have been necessary. Copies of reports can be obtained from the web site or by contacting either the OLA or the Department of Legislative Services, 90 State Circle, Annapolis, Maryland 21401, (410) 946-5400, 301-970-5400. For further details about any report or finding please contact the OLA at the numbers listed below. We welcome your comments and suggestions.

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